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INFO RUEKJCS/OSD WASHINGTON DC PRIORITY
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C O N F I D E N T I A L LJUBLJANA 000081

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EUR/NCE FOR SSADLE, PM/WRA FOR MMCLOY, EUR/SCE, EUR/ACE

E.O. 12958: DECL: 02/11/2017
TAGS: [MARR](#) [MASS](#) [KCRM](#) [PREL](#) [SI](#)
SUBJECT: SLOVENES TALK DEMINING TROUBLES WITH PM/WRA OFFICE
DIRECTOR KIDD

Classified By: COM for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY. Recently, both International Trust Fund for Demining (ITF) and Slovenian Ministry of Foreign Affairs staff expressed concern over the allegations of possible malfeasance in the Bosnian demining sector, but understood the importance of addressing them head on before the reputation of ITF is irreparably harmed. While USG and Bosnian authorities are taking the lead on investigating demining problems in Bosnia, both ITF leadership in Slovenia and the MFA pledged full cooperation and support with investigations. All parties support an approach that keeps demining activities going, works to keep the investigations nonpolitical, and makes clear their commitment to transparency and accountability for USG-funded demining programs in the region. END SUMMARY.

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Taking on Allegations of Malfeasance at ITF
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¶2. (U) Office of Weapons Removal and Abatement Office
Director Richard Kidd met on February 5 with staff from Slovenia's International Trust Fund for Demining (ITF). February 6 he met ITF Supervisory Board Member and Ministry of Foreign Affairs (MFA) Security Policy Department Director Stanislav Vidovic and MFA Director General for Bilateral Affairs Bogdan Benko. At all three meetings, Kidd relayed USG points on allegations of malfeasance in the Bosnian demining sector, the response of ITF, and how the USG plans to investigate allegations while moving forward with demining programs.

¶3. (U) ITF Director Goran Gacnik began the meeting on February 5 with a progress report on ITF's activities in 2006, a look at key challenges, and then an overview of plans for the organization in 2007. Gacnik was generally positive in response to the points from Kidd, saying that he was glad to hear about USG steps going forward and noting that ITF had already begun to work with the New Zealand company that will make a management assessment of the demining firms in February. Gacnik reiterated that ITF would be cooperative with whatever efforts the USG decided to make to investigate any and all allegations of malfeasance, saying "we are open and they are welcome here."

¶4. (SBU) Gacnik was frustrated by the allegations, saying he had "heard enough with all the rumors, especially in Bosnia," that "this discussion seems to happen every three to four years at ITF," but that this new round of allegations was

particularly worrisome because of the effect allegations might have on ITF's institutional reputation and its ability to recruit and maintain donors. In ITF's defense, Gacnik repeated comments made in previous meetings, saying ITF has been cooperating fully with the prosecutors and financial police in Bosnia (sharing "thousands" of pages of requested information in September and December of 2006 alone), ITF is operating openly and appropriately in the difficult atmosphere of Bosnia's demining sector, and is the "only organization in Bosnia with open tenders."

15. (SBU) Gacnik and ITF Bosnia Director Roman Tursic spoke at length about the difficulties imposed on ITF by not moving forward with USG matching funds and the tendering process, saying that eight local community donors in Bosnia have been waiting for over six months for USG matching funds. They said that several hundred thousand dollars in potential demining money could be lost because communities (specifically they cited Ilijas and Stari grad Sarajevo) are growing frustrated that tenders have not gone out for their 2006 donations and they are loathe to budget new money for demining in 2007 when 2006 donations have not yet been spent. Both Gacnik and Tursic were pleased to hear the USG's plans for going forward with the tendering process in March 2007 with the direct assistance of staff from PM/WRA.

16. (SBU) In regards to questions about what actions ITF has taken to respond to the allegations, Gacnik and Tursic laid out the process ITF goes through to choose its demining projects, check the legitimacy of the project, issue a tender, select a demining organization, sign the contract, monitor the work, and certify that the project area is clear of mines. They repeatedly said that ITF has documentation of everything it has done, though they did not seem to always

document problem areas that ITF has dealt with previously or the corrective actions that ITF has made to improve its process. Gacnik talked generally about ITF's responses to difficulties in the Bosnian demining sector in the past, specifically citing demining organizations that "discovered" additional mined areas while in the process of demining and organizations that were mistreating their demining employees, among others. Gacnik said that ITF had fought the former problem, noting that it was one reason that the World Bank demining programs were discontinued. He said that ITF had signed some annexes after tenders were awarded, but that it was "very rare...maybe two with USG money in the past few years" and said that the preference of ITF, if demining organizations find additional mined areas, is always to develop and fund a completely new project with a new tender. Kidd encouraged Gacnik and ITF staff to prepare a more thorough timeline of ITF's work over the past ten years that highlights the problems the organization has faced, how it has dealt with these problems to improve the process, and also provides documentation to prove these efforts took place.

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MFA Offers Clear Message: Maximum Cooperation, Maximum Transparency
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17. (SBU) ITF Supervisory Board Member and MFA Security Policy Department Director Stanislav Vidovic offered the strongest message about ITF on February 6. He said that accusations had initially been pushed aside this past fall as a dredging up of old issues, but that the GoS is now taking a second, serious look, and that concern and engagement on the issue is taking place at the highest levels of Slovenian government (mentioning the direct engagement of a member of the Prime Minister's cabinet). He acknowledged ITF's work involves large sums of money (and that USG donations have been vital to ITF), but said that even more importantly in his eyes, the allegations have the potential to tarnish Slovenia's reputation and its most prominent and critical success story in the region. He said the GoS supported whatever efforts are necessary to determine if allegations are true or false, and that if corruption is found within the ITF, the perpetrators must and will pay.

¶8. (SBU) Vidovic said that the MFA's message to Goran Gacnik has been consistent: "be open, share all documents, and give maximum cooperation" because transparency is the only way to prove allegations false and ensure the good name of the organization. Likewise, he said that the MFA is ready and willing to give any assistance possible to investigators. He also said that he hoped the investigators would be able to keep the discussion objective and keep out any politics. Vidovic concluded on ITF by stating that the GoS feels that demining work in Bosnia must continue, that ITF currently contributes over half of the demining funding support in Bosnia, and that other organizations simply cannot compete with the results that ITF has accomplished through its work there.

¶9. (SBU) Tursic, Gacnik, and Vidovic all speculated about the roots of recent allegations and offered up a variety of potential causes, including: a newly empowered Bosnian government looking to shake things up, an effort to hunt down millionaires who had grown rich partially through tax fraud, an increasing focus on taxes and tax fraud with the recent passage of a Value Added Tax in Bosnia, the increasing involvement of international banks in the Bosnian banking sector, the fact that ITF is one of the few institutions (and potentially the only one) with reliable financial data and records for the Bosnian demining sector, and finally, retribution from the increasing number of companies that the ITF is being asked to exclude from tender decisions. Tursic said that he felt the allegations were mostly the same old story from five, six, or even seven years ago in the demining community, specifically citing allegations relative to the Kojic case, and pointing out that ITF (on the advice of Embassy Sarajevo) had thrown companies associated with Kojic out of the bidding process altogether. Tursic repeated comments he has made in previous meetings, saying that "what companies do with the money (after they've cleared the minefields) is not our problem...we aren't the financial police or investigators."

The Future of ITF: Short and Long Term

¶10. (U) Both meetings at ITF and the MFA also covered GoS interest in hosting a Mine Action Support Network meeting in Slovenia in May, with organizers planning one day at ITF headquarters in Ig and another, less formal day at a retreat location in the Julian Alps. Kidd encouraged GoS officials to schedule the meeting for late May and to consider whether ITF is willing and prepared to engage the group about the allegations in Bosnia and about what ITF is doing to fight them. If ITF is not ready to publicly discuss the allegations and its response, Kidd recommended they hold off on hosting the meeting until a later date.

¶11. (U) In meetings at the MFA, Vidovic brought up the future of ITF, noting that he expected USG donations to decrease over the long-term and saying that ITF needed to begin thinking about what it would do three to five years from now.

He pointed out that ITF has several options, including: (1) searching for new major donors, (2) expanding its scope into other regions afflicted by mines, and/or (3) expanding its work beyond demining to other small arms and light weapons issues. Vidovic presented modest progress on the first option, noting that Spain had recently signed on to ITF for demining work for the first time, but lamented that an EU funding stream is particularly tricky given ITF's status as a quasi-governmental institution and not an outright NGO. He expressed doubts about his second option of working outside the region, rhetorically asking if Slovenia's relevance (and the value add it brings to ITF's work in the Balkans) is obvious in a place like Central Asia or the Caucasus. Kidd confirmed Vidovic's comments that funding for small arms and light weapons projects is increasing more rapidly and prompted the GoS to think creatively about how ITF could play a role in this portfolio as well. In meetings at ITF

headquarters, talks on the future of ITF were less strategic, with personnel outlining ITF engagement outside of Southeastern Europe, including in Colombia, Jordan, Sudan, Egypt, and Tajikistan, as well as plans to host a regional conference for Central Asia and Afghanistan in Kazakhstan later this year.

¶12. (C) COMMENT. Both ITF headquarters and the Slovenian MFA seem increasingly engaged on the importance of addressing allegations of malfeasance in the Bosnian demining sector and rooting out problems if the ITF wants to retain its good reputation and the support of its international donors. Nevertheless, ITF personnel seem to lack the strategic chutzpah to get out in front of the allegations, take them on directly, and make a sound case that ITF is not just another pawn (or worse, an active participant) in the allegedly corrupt world of Bosnian demining. The key to ITF's short term success will be its ability to make this case to investigators, and ultimately the USG and other donors, in spite of its natural inclination to shrug off allegations as false rumors, demur that they are not financial investigators, and expect the benefit of the doubt. Likewise for the long term, ITF will have to begin to think strategically about what role it can play outside the region and/or outside its current purview of demining if it hopes to continue to be a relevant and successful institution.

Office Director Richard Kidd has cleared on this cable.
ROBERTSON